

~~Debate~~ Statement of the

Honorable Maxine Waters, D-35<sup>th</sup> CA

Chairwoman, Subcommittee on Housing and Community  
Opportunity

*Financial Institutions Subcommittee Hearing on "Problem  
Credit Card Practices Affecting Students"*

Thursday, June 26, 2008

~~W.A.M.~~ 2 PM

Room 2128 Rayburn House Office Building

I want to thank Chairwoman Maloney for holding this hearing. I have long been concerned with the marketing practices used by credit card companies to recruit college students as customers, so I look forward to hearing from the witnesses today.

The use of credit cards by college students is clearly on the rise, with a 10% increase just in the six years between 1998 and

2004—the most recent period studied closely by Nellie Mae. Of equal interest are the facts that college students during this period became much more likely to have four or more credit cards—43 percent in 2004 versus 27 percent in 1998—and maintained a higher average balance on their cards.

As a number of witnesses will testify today, this increased use of credit cards by college students is no accident—credit card companies have intentionally focused on this group because they represent one of the few segments of the market that hasn't already been saturated by credit cards. Students are also easy to access given that they tend to live close together. Unfortunately, college students are also especially vulnerable to falling into credit and debt traps. Many have little or no experience with credit before coming to college. At the same time, many are facing crushing student loan debts, and so are less able to withstand additional consumer debt.

Moreover, at college, they are often living alone for the first time, without the support network of family to help evaluate financial transactions such as credit card offers. Meanwhile, one has to wonder how much the universities—whom we might expect to act *in loco parentis* at least to some extent—are going to step in when they receive substantial payments from credit card companies to market on campus. These payments exceed \$1 billion per year for the nation’s 300 largest universities.

For this reason, some of the marketing tactics described in the testimony I have reviewed are especially troubling. The use of various “gifts” – like food, t-shirts, mugs, or caps—to entice students to sign up for cards, without substantial efforts to educate them about both the benefits and pitfalls of credit, strikes me as problematic. And the intent of credit card companies has to be closely scrutinized given that a 2008 Public Interest Research Group survey reveals that many engage in

devious strategies to evade on campus marketing bans, such as delegating marketing to a vendor or co-opting a student organization. Mr. Thurman's saga of the Subway and Jimmy Johns sandwiches near the University of Illinois, Chicago campus, which I am sure we will hear more about today, is simply an especially ludicrous example of such strategies.

In sum, I think serious consideration must be given to greater state and federal regulation of these marketing efforts, and I look forward to hearing from the State of New York regarding their efforts. Again, this is an important issue and I thank the Chairwoman for her continued efforts to shine a spotlight on various aspects of the credit card industry.